

BUDGET MANAGEMENT 2023/24 – PROGRESS REPORT OCTOBER TO DECEMBER 2023 (Q3)

REPORT OF: DIRECTOR OF RESOURCES AND ORGNISATIONAL DEVELOPMENT
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Wards Affected: All
Key Decision: No
Report to: Management Team
Cabinet
11 March 2024

Purpose of Report

1. This report provides an update on the forecast financial position at Quarter Three (Q3) against the approved Revenue Budget for 2023/24 and the current Capital Programme.

Summary

2. The forecast revenue outturn position for 2023/24 at the end of December is an overspend of £723,000 (£654,000 reported at quarter 2 (Q2)) on service budgets. In addition, there is a net pressure on centrally held budgets of £420,000.
3. As was the case in 2022/23, the continued impact of rising interest rates and effective investment decision making is also achieving a windfall income on the Council's Treasury Management income. This has continued to be used to offset pressures on services that continue to similarly be affected by excess inflation.

Recommendations

4. **Cabinet is recommended to endorse the report and its contents and note the current forecast outturn.**
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REVENUE SPENDING

Q3 Position to the end of December 2023

5. Table 1 provides a summary of the estimated forecast outturn as at the end of the third quarter of 2023/24. A more detailed breakdown is at Appendix A of this report. The main reasons for any movements are then provided in the subsequent paragraphs.

Table 1 – Overview of forecast movement

	Current budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Forecast Variation as at June 2023 £'000
Total Revenue Spending	19,820	20,963	1,143
Use of Treasury Management Income	-	(1,143)	(1,143)
Net Revenue Spend	19,820	19,820	-

Deputy Chief Executive

6. **Development Management:** is projecting a breakeven position for the year (£52,000 overspend at Q2). This is as a result of additional income, due to large Planning applications that could not have been predicted, offsetting costs pressures.
7. **Planning Policy:** While the forecast is a break-even position, additional S106 monitoring fee income is emerging in the third quarter associated with some large planning applications as well as one-off income from developers for access to the Mid Sussex Transport model. Should this continue, there may be an underspend by year-end.
8. **Housing Enabling:** is projecting a saving of £20,000 for the year due to a part-year staff vacancy, the role has now been filled.
9. **Economic Development** – There has been a delay, due to the limited number of suppliers in the market, letting the Carbon Emissions Progress Monitoring contract resulting in a projected underspend in year, in the region of £25,000.

Director People & Commercial Services

10. **Cleansing Services:** have a net £135,000 pressure emerging (£86,000 at Q2). As reported at Q2 additional costs incurred for the Waste Contract e.g. in respect of bank holidays and pay and contract inflation have been partially offset by demand increases as a result of forecast property growth and the additional garden waste vehicle. Forecasts have been updated through the budget-setting process to account for these costs in future years.
11. **Landscapes:** are projecting a net pressure of £151,000 (£65,000 at Q2). This pressure results from multiple factors; As reported at Q2 the £65,000 pressure was the result of Business Rate increases from the 2023 revaluation. The increased pressure of £86,000 at Q3, is the result of planned costs associated with the mobilisation and enhanced specification of the new and enhanced green spaces contract. There is further an inflationary contract uplift for outdoor facilities cleaning. This is partially offset by staff savings and an additional £29,000 Outdoor Leisure income.
12. **Building Control:** have a net £60,000 pressure as reported at Q2. This is due to a projected income shortfall of circa £110,000 at year-end, which can be partially offset by staff vacancies and other minor underspends.

13. **Parking Services:** is projecting a £152,000 improvement by year-end as reported at Q2. This is mainly due to exceeding income recovery forecasts as demand for car parking returns post pandemic.
14. **Leisure Services:** have a £212,000 pressure as reported at Q2. This is mainly due to the slower than anticipated recovery of the Leisure contractor post-pandemic in terms of income generation, resulting in a previously reported lower Management fee to the council for the year of £200,000. The Leisure contractor continues to invest in improvements as part of a set of measures to drive usage and demand.
15. **Revenues & Benefits:** have a net saving of £99,000 (break even at Q2). This is driven by staff savings of £112,000 off-set by net pressures of £13,000, caused most significantly by increases in postage costs.
16. **Housing Options:** are projecting a small underspend of £10,000 as reported at Quarter 2. The budget allows for an anticipated increase in the demand for Temporary Accommodation due to a national housing crisis and a shortage of affordable housing. The impact has been managed in the short term through the use of government grants and the use of council-owned temporary accommodation. Although demand continues to grow, particularly as a result of the Home Office decision to clear backlog asylum cases. It is anticipated that part of this budget provision will also be required for reactive and necessary maintenance of our growing housing portfolio. Therefore, it is likely that any underspend in this area will be proposed to be transferred to reserve to help ensure sustainability in this area. This position and recommendation remain under review until outturn as demand projection remains challenging.
17. **Digital and Technology:** are projecting a £47,000 underspend as reported at Q2. This is a result of a £30,000 reduction in expenditure on printers and copiers, due to less usage and £17,000 on Telephones since the migration to Microsoft Teams.

Director Resources and Organisational Development

18. **Legal Services:** continue to project an overspend of circa £213,000 (£200,000 at Q2). This has been subject to review during the budget setting process for 2024/25 and provision has been made for the permanent recruitment of staff who mostly took up their positions in Q3, thus beginning the downward trajectory of agency spend in this area.
19. **Democratic Services:** are reporting an overspend on the May Election due to the additional complexity of voter identification and inflationary pressures most significantly in postage. Provision has been made as far as possible for this pressure on elections in the 2024/25 budget.
20. **Human Resources and Organisational Development:** have a one off in year pressure resulting in the transition of HR system providers. There have been a number of one-off transitional pressures relating to; the implementation of the new Job Evaluation scheme, and the mobilisation of the greenspaces contract. These are resulting in a one-off pressure anticipated to be in the region of £146,000.
21. **Corporate Resources:** is forecasting an overspend of £138,000. This is the result of Insurance premium increases as excess inflation has impacted the cost of potential reinstatement. This is combined with potential further pressures on the audit fees set by the Public Sector Audit Authority. Provision has been made as far as possible for this pressure in the 2024/25 budget.

22. **Centrally held budgets:** are forecasting an overspend of £420,000. The main area of overspend is the one-off cost of pension strain payments to the West Sussex Pension Fund. The additional pressure is partially offset by the result of recent announcements from Government advising that; compensation will be provided for the Business Rates Exemption for Green Plant & Machinery amounting to £57,000, and the distribution of the surplus on the Business Rates Levy will be made, the allocation for the Council is determined at £18,000. In addition, the £20,000 contingency remains unspent.

Treasury Management

23. Treasury Management continues to show a steady improvement as the year progresses due to the improved interest rates available and effective investment decision making. The current planned use is;
- a. the 2023/24 base budget support of £389,000 (within the MTFP at February 2023), and the 2024/25 base budget support of £344,000 (agreed within the MTFP at February 2024),
 - b. the agreed contribution to the Capital Reserve £500,000, (agreed within the MTFP at February 2024)
 - c. Agreed use for Q2 forecast revenue pressures of £654,000.
24. After the planned use as set out above, there remains £918,000 in interest earned to the end of December 2023. The increased pressure at Q3 requires a further £489,000, leaving £429,000 as a contribution to top up the General Reserve in line with the reserves policy. It is anticipated that we will continue to see improved returns which alleviate concerns that this contribution to reserve is lower than anticipated when considering the on-going sustainability of the council's finances at budget setting. Therefore, it is proposed that after supporting the final position on revenue budget pressures at outturn, any additionality in surplus receipts continues to be set aside in the general reserve.

CAPITAL PROGRAMME AND REVENUE PROJECTS

Position to the end of December 2023

25. The Council has a 4-year rolling Capital Programme. While it is managed across multiple years this report provides an update in year. Work was undertaken during September to review the phasing of the programme to better reflect the delivery of the projects, which were agreed by Cabinet in November.
26. Planning permission for the Centre for Outdoor Sport (CfOS) was received on 7 March 2024. Work to obtain this permission brought costs forward, with spend in 2023/24 of £613,000 against a budget of £350,000, therefore a movement of £263,000 budget from 2024/25 to 2023/24 is required. Further, the delivery profile of the scheme means £500,000 will be re-profiled from 2025/26 to 2024/25 as the scheme will now move forward at pace.
27. Additional grant funding for Disabled Facilities of £101,494 for 2023/2024 has been received and will increase the overall programme total, although not this financial year. It has therefore been profiled over future years.
28. The current approved programme continues to be reviewed to ensure that it reflects the best estimated delivery of the project.

Policy Context

29. This report shows actual financial performance against the original budget, which was approved within the context of the Financial Strategy.

Financial Implications

30. The Financial Implications are detailed within the body of this report.

Risk Management Implications

31. There are no Risk Management implications.

Equality and Customer Service Implications

32. There are no Equality and Customer Service implications.

Other Material Implications

33. There are no Legal Implications as a direct consequence of this report.

Sustainability Implications

34. There are no Sustainability Implications as a direct consequence of this report.

Appendices

- Appendix A - Forecast outturn at Q3.

Background Papers

None.

Appendix A Forecast outturn at Q3:

Summary Of Revenue Spending for 2023/24				
Service Area	Original budget	Current budget (Excl recharges)	Forecast Outturn	Forecast Variation Q3
	2023/24 £'000	2023/24 £'000	2023/24 £'000	2023/24 £'000
<i>AD Planning & Sustainable Economy</i>				
Development Management	1,210	277	277	-
Planning Policy	736	511	511	-
Housing Enabling	242	149	129	(20)
Economic Development & Sustainability	694	585	560	(25)
<i>AD Planning & Sustainable Economy</i>	2,882	1,522	1,477	(45)
<i>AD Communities</i>				
Environmental Health	1,335	844	844	-
Community Services	380	236	236	-
Partnerships	390	709	709	-
<i>AD Communities</i>	2,105	1,789	1,789	-
<i>AD Commercial Services & Contracts</i>				
Cleansing Services	4,902	4,531	4,666	135
Landscapes	2,762	2,175	2,326	151
Parking Services	(820)	(1,156)	(1,308)	(152)
Leisure	(629)	(917)	(705)	212
Facilities	429	1,776	1,776	-
Estates	(2,955)	(3,096)	(3,096)	-
Building Control	490	143	203	60
<i>AD Commercial Services & Contracts</i>	4,179	3,456	3,862	406
<i>AD Digital & People Services</i>				
Revenues & Benefits	2,786	1,822	1,723	(99)
Housing Options	1,871	1,557	1,547	(10)
Customer Services	-	367	367	-
Digital and Technology Services	(177)	1,691	1,644	(47)
<i>AD Digital & People Services</i>	4,480	5,437	5,281	(156)
<i>AD Legal & Democratic Services</i>				
Democratic Services	1,035	1,005	1,026	21
Legal	0	306	519	213
<i>AD Legal & Democratic Services</i>	1,035	1,311	1,545	234

	Original budget	Current budget (Excl recharges)	Forecast Outturn	Forecast Variation Q3
	2023/24	2023/24	2023/24	2023/24
	£'000	£'000	£'000	£'000
<i>AD Corporate Resources</i>				
Finance	-	825	866	41
Planning & Building Control Support	176	343	305	(38)
PMO & Service Redesign	277	189	189	-
Corporate Resources	1,476	1,707	1,842	135
Strategic Core	1,897	1,603	1,603	-
<i>AD Corporate Resources</i>	3,826	4,667	4,805	138
<i>AD Organisational Development</i>				
Human Resources & Organisational Development	-	584	730	146
Communications, PR & Community Engagement	517	258	258	-
<i>AD Organisational Development</i>	517	842	988	146
<i>Net Revenue Budget</i>	19,024	19,024	19,747	723
<i>Centrally held budgets</i>				
Benefits	(119)	(119)	(119)	-
Drainage Levies	1	1	1	-
Balance Unallocated	20	20	-	(20)
Pension Strain	-	-	515	515
Budgeted Contributions to Reserves	894	894	894	-
Business Rates Levy Surplus Distribution	-	-	(18)	(18)
Business Rates Exemption for Green Plant & Machinery Compensation	-	-	(57)	(57)
<i>Total Centrally Held Budgets</i>	796	796	1,216	420
<i>Total Revenue Spending</i>	19,820	19,820	20,963	1,143